



Instructions for 2016 Form AT3-51
Annual Report and Personal Property Return of
Sole Proprietorships and General Partnerships
General Information and Requirements

2016

State of Maryland · Department of Assessments and Taxation · Personal Property Division · 301 West Preston Street, Room 801 · Baltimore, Maryland 21201-2395

1) WHO MUST FILE A RETURN

A Maryland personal property return (Form AT3-51) must be filed by all sole proprietorships and general partnerships if they possess (own, lease, rent, use or borrow) business personal property or need a business license. A business which fails to file this return will receive an estimated assessment. Corporations as well as limited partnerships, limited liability companies and limited liability partnerships that are registered with the Department's Charter Division are required to file a Form 1.

2) WHEN AND WHERE TO FILE

At the beginning of each year, the Department will provide a reminder to all active businesses on record. The business is responsible for obtaining and filing a return on time. The due date for filing is April 15th. All AT3-51 returns are to be sent to the:

State of Maryland
Department of Assessments and Taxation
Personal Property Division
301 W Preston St
Baltimore, MD 21201-2395

3) EXTENSION OF TIME TO FILE

The Department may grant a 2 month extension to file the return.

To request an internet extension go to: www.dat.maryland.gov and click on: 1) Businesses, 2) Personal Property Information and Forms, and 3) Filing Extension. This option is free of charge and offers Department ID look-up, extension verification, confirmation numbers and recall lists by last year's confirmation number. Always print and keep a copy of the confirmation number. The Department will automatically accept it as evidence of a valid approved extension in case there is ever a problem. When you file for an extension via our website, do **NOT** also submit a paper extension request. This system is available 24 hours a day, 7 days a week beginning February 1, through April 15. Please file early to avoid possible delays due to the heavy usage of this system which occurs in the last week prior to April 15th.

Extension requests submitted via paper documents must be post-marked or received by SDAT on or before March 16 and require a \$20 non-refundable processing fee for each entity. If using this method, businesses should use the Department's extension request Form AT3-71 to help ensure that complete and accurate information is submitted. Approved extensions will be recorded by the Department but will not be returned. Retain a copy of the extension request for your records. The Department ID Number must be provided to ensure proper recording of any extension request. Requests with incomplete or missing Department ID numbers will not be recorded. Do not list the business' Federal Employer Identification Number (FEIN) on this form. No additional extension to file will be allowed. Extensions approved by the Internal Revenue Service or Maryland Comptroller of the Treasury for income tax returns will not be accepted.

4) FORMS

To ensure proper posting to your account, please include your Department ID number on your return and in all communications with the Department. This number should also appear on all checks accompanying the return.

5) MAILING ADDRESS CHANGES

Make necessary address corrections in the address area and check the address correction box on page 1 of the return.

6) LATE FILING PENALTIES

A business which files an annual return postmarked after the due date of April 15th will receive an initial penalty of 1/10 of one percent (0.1%) of the county assessment, plus interest at the rate of two percent (2%) of the initial penalty amount for each thirty (30) days or part thereof that the return is late. If returns are filed late, do not prepay penalties. They will be assessed at a later date.

7) PERIOD COVERED

All returns shall cover the calendar year regardless of any fiscal year. All information required in this return shall be given as of January 1, except line items ② and ④ which refer to the twelve calendar months of the prior calendar year. This return must be accompanied by Form 4A and 4B (Balance Sheet and Depreciation Schedule) unless the business does not own any personal property in Maryland. A substitute Balance Sheet, including Schedule L from IRS Form 1120, may be used, however Form 4B (Depreciation Schedule) must be completed. Businesses that do not maintain a Balance Sheet should submit a copy of IRS Schedule C and a copy of the depreciation worksheet used to prepare the IRS Form 562. Information supplied on the return and enclosures are not open to public inspection. If the Balance Sheet reflects property outside the State of Maryland, please reconcile with the property reported on the return.

8) WHAT MUST BE REPORTED

Generally all tangible personal property owned, leased, consigned or used by the business and located within the State of Maryland on January 1, must be reported. Property not in use must still be reported. All fully depreciated and expensed personal property must also be reported. Personal property includes but is not limited to office and plant furniture, machinery, equipment, tools, furnishings, trade fixtures, inventory, and all other property not considered part of the real estate.

Personal property in this State (other than operating property of railroads and public utilities) falls into two subclasses:

Stock in business or inventory is goods held by a taxpayer for sale and goods placed on consignment to another for sale in the expectation of a quick turnover. Stock in business does not include goods manufactured by the taxpayer but held by the taxpayer for purposes other than sale or goods manufactured by the taxpayer but placed in possession and control of another as in the case of leased property. Stock in business is assessed at cost or market value whichever is lower. **LIFO** method of valuation is prohibited.

All other personal property includes all personal property other than inventory and is assessed at full cash value. Taxpayers shall report such property which has been acquired by purchase at cost in the year of acquisition. Taxpayers shall report such property which has been acquired other than by purchase (including property manufactured by the taxpayer) at what the property would have sold for in the year of acquisition. To assess "all other personal property" the Department generally applies a 10% rate of depreciation per annum to the reported property. Exceptions to the 10% rate can be found on the Depreciation Rate Chart on page four (4). Normally, property will not be depreciated below 25% of the original cost.

All questions must be answered in full unless the business does not own, lease, or use personal property and answers Section I question C no. If the reporting taxpayer does not own the class of property covered by any question, the word "**none**" or the figure "**0**" should be written in the appropriate blank space. Estimated assessments may be issued when questions remain unanswered or the answers are incomplete or evasive. Real property is not to be reported on the return.

9) EXEMPTIONS

Property tax exemptions provided by statute shall be strictly construed. Before an exemption can be obtained the taxpayer must show affirmatively that the exemption is clearly allowed.

Businesses may file amended returns to correct reporting errors or claim missed exemptions (except for missed manufacturing exemptions) within three years of the April 15th date that the return was originally due.

For manufacturing exemption requests, an application must be submitted on or before September 1, or within 6 months after the date of the first assessment notice for the taxable year that includes the manufacturing personal property in order to qualify for the current tax year. Section 7-104 of the Tax-Property Article of the Annotated Code of Maryland has been revised to include subsection (d) that allows the owner of manufacturing personal property to file an application within 6 months after the date of the first assessment notice for a taxable year that includes the manufacturing personal property. If the application is approved, the exemption shall be granted for the taxable year. The exception to the September 1 deadline is applicable to taxable years beginning after June 30, 2009. No manufacturing exemption can be granted unless a timely application is filed. Once filed, no additional manufacturing applications are required in subsequent years.

All personal property owned by certain organizations, including religious groups, government, non-profit educational institutions, non-profit charitable organizations, non-profit hospitals, cemetery and mausoleum companies, and certain other organizations or groups which meet certain "strict use" criteria is exempt. These are referred to as exempt organizations and are fully exempt throughout Maryland from any assessment and taxation. To obtain this type of exemption, an organization must submit written information detailing its operation. If the organization is required to file an IRS Form 990 it should be included with the written information. It should be noted that because the laws differ, organizations granted exempt status by the Internal Revenue Service are not necessarily exempt from personal property taxation in Maryland.

In addition, State law requires that certain types of personal property be fully exempt throughout Maryland from any assessment and taxation. These include aircraft, farming implements, residential (non-business) property, most registered

vehicles, boats not more than 100 feet in length, customized computer software, intangible personal property (e.g., stocks, bonds, patents, goodwill, trademarks, etc.).

Businesses owning exempt personal property described in the paragraph above should report the total cost of that property on form 4B (Depreciation Schedule), line 11. Do not report this type of property on the Form AT3-51.

Full or partial exemptions may apply depending on the location of the property for: manufacturing/R&D machinery and equipment, manufacturing / R&D inventory and commercial inventory. Visit the Department's website for a complete listing of these exemptions.

The law specifically includes the following activities as part of the manufacturing process: (1) the identification, design or genetic engineering of biological materials for research or manufacture; and (2) the design, development or creation of computer software for sale, lease or license.

The personal property of certain home-based businesses is exempt if: 1) it is owned by a sole proprietorship; 2) it is located at the owner's principal residence; and 3) its total original cost, including inventory and excluding licensed vehicles, is less than \$10,000. **An initial return must be filed to receive this exemption.** Partnerships and other legal entities are not eligible for this exemption.

10) ROUNDING

Round cents to the nearest whole dollar. Fifty cents and above should be rounded to the next highest dollar.

11) AUDIT OF RETURN

All personal property assessments, and any information, and figures reported on the personal property return, accompanying schedules and related documents are subject to audit. As a result of such audits, the Department may issue corrected assessments.

12) TRANSFER OF PROPERTY

If a business transfers, sells, or disposes of all personal property on or after January 1 and before July 1, it must notify the Department in writing on or before October 1. The notification must contain an itemized description of the property involved, the date and manner of transfer and name(s) and address of the new owner(s) of the property, the consideration received, and a copy of the sales agreement (if available). Upon proper notification and compliance with Section 10-402 of the Tax Property Article, the assessment shall be transferred to the new owner(s).

13) OUT OF BUSINESS

If a business discontinues operations or goes "out of business" prior to January 1st, a return or letter of explanation detailing the date the business ceased operations and what happened to the property must be filed. Failure to provide this information will result in an estimated assessment being made against the business.

14) AMENDED RETURNS

Amended returns can be filed to correct reporting errors or claim a missed exemption (except for missed manufacturing exemptions) within three years of the April 15th date that the return was originally due.

Amended returns must be accompanied by information explaining why the amended return is being filed and reconciling the differences with the original return. Write the word "AMENDED" across the top of page 1 of the return.

15) TRADER'S LICENSE

Sometimes businesses requiring a trader's license:

experience problems in obtaining one. Most of these problems are the result of one or more of the following five situations:

- 1) Failure to file a personal property return (previous year).
- 2) Failure to report commercial inventory on the personal property return (previous year).
- 3) Unpaid personal property taxes (previous year).
- 4) Unpaid late filing penalty owed to SDAT.
- 5) Failure to register with SDAT

INFORMATION AND ASSISTANCE

PERSONAL PROPERTY DIVISION

Internet Site www.dat.maryland.gov

Form preparation and assessment procedures: (410) 767-1170

Extensions by Internet www.dat.maryland.gov

E-mail Address sdatt.persprop@maryland.gov

Toll Free within Maryland (888) 246-5941

MRS (Maryland Relay Service for speech and hearing impaired) .. 1-800-735-2258 TT/VOICE

Specific Instructions - 2016 Form AT3-51

Part A

- 1. List federal employee ID# (FEIN). If none, provide social security number of owner.
- 2. List federal principal business code. It can be found on IRS Schedule C or Form 1065.
- 3. Exact Location. Since local tax rates and exemptions differ in each county and in each incorporated town, the location of tangible personal property, including the street address, must be clearly indicated. Post Office Box numbers are not acceptable. If property is located in an incorporated town, supply the name of the town. An incorporated town has its own government and defined municipal boundaries. Inventory is deemed permanently located where the business is conducted. If property is located in two or more jurisdictions supply a breakdown by locations by completing additional copies of Section II for each location.

Businesses not needing a trader's license and located entirely in the exempt jurisdictions listed below may skip Section II, line items ① through ⑩ and Forms 4A, 4B, and 4C. Be sure to complete the signature section.

EXEMPT COUNTIES AND INCORPORATED TOWNS

Dorchester, Frederick and Garrett Counties	Kent County	Queen Anne's County	Talbot County
The business must not be located within any town.	The business must not be located within a town except the exempt towns of Chestertown, Galena or Millington.	The business must not be located within a town except the exempt towns of Centreville or Millington.	The business must not be located within a town except the exempt town of Oxford.

If you meet the above location requirements, but need a trader's license, you should complete Part B line item ② Commercial Inventory only, and then skip directly to the signature section.

- 4. Provide a brief explanation of business activity in Maryland (e.g., restaurant, legal services, construction, etc.)
- 5. Total gross sales must include sales in Maryland and sales by the Maryland location to out of state purchasers as well as transfers from the Maryland location of the reporting business to out of state locations.
- 6. Only an individual who owns a business should answer questions 6A and 6B.

6A Answers yes, if the location in number 3 above is the principal residence of the business owner.

6B Answer year, if the total original cost of the property, including inventory and excluding licensed vehicles, is less than \$10,000.

- If both questions A and B are answered yes, the business is exempt from personal property assessment and taxation. Skip to signature line on page 2.
- 7. List the beginning and ending fiscal year periods.
- 8. All fully depreciated and expensed personal property must be reported on this return.
- 9. Attach an itemized list of leased personal property owned by others and held by the business on consignment as lessee or otherwise. State the original cost of each item and the names and addresses of owners. If original cost is not known, state the terms and dates of the lease.
- 10. If the business has disposed of assets or transferred assets in or out of the State during the prior year, Complete Form C (Disposal and Transfer Reconciliation).

PART B

LINE ITEM ①

Furniture, fixtures, tools, machinery and equipment not used for manufacturing or research and development. Includes but is not limited to office furniture, fixtures and equipment, factory equipment and machinery, shelves, signs, counters, non-exempt vehicles, etc.

Non-exempt vehicle include motor vehicles with Interchangeable Registrations and vehicles that are unregistered. Interchangeable Registrations include: dealer plates (Class 1A, 1B, 1C); recycler plates (Class 2); finance company plates (Class 3); special mobile equipment plates (Class 4); and transporter plates (Class 5).

This form allows detailed reporting of property which falls under the different rates of depreciation. All property is to be reported under Category A unless specifically listed in another category.

Refer to the Depreciation Rate Chart on page 4 to determine where property owned by the business should be reported (see sample below). Property reported in columns B through G requires a detailed description (e.g., Column C - Vending Machines, Copiers, etc.). Failure to provide the required detail will result in the reported property being assessed at 10% rate of depreciation.

This property shall be reported at original cost in the year of acquisition without deduction of depreciation, investment credit or trade-in of previously owned property. Include all fully depreciated personal property and property expensed under IRS rules.

EXAMPLE

Property reported on this line item should be placed under the proper depreciation rate column by the year of acquisition. An example of the correct method of filling out this section is provided for reference. Property reported in categories B through G require an explanation on the lines provided below the box. If additional space is needed to show the necessary detail, attach a supplemental schedule

ORIGINAL COST BY YEAR OF ACQUISITION								
	A	B	C	D	E	F	G	TOTAL
2015								
2014	1,150				12,600			13,750
2013	3,104				8,400			11,504
2012	1,500			5,261				6,761
2011								
2010			2,500					2,500
2009	9,127		500					9,627
2008 & PRIOR								

.DESCRIBE B THROUGH G PROPERTY HERE: Category C - 2009

LINE ITEM ②

Commercial Inventory is merchandise and stock in trade available for sale. This includes manufactured products sold at retail by the manufacturer. An average of twelve (12) monthly inventories should be reported including two (2) physical inventories. Book inventories may be used for months when physical inventories were not taken. Values are to be reported at cost or market value. The LIFO method is prohibited in computing values. If there are multiple locations of inventory in Maryland they must be reported by each location. **Business entities that need a Trader's License must report commercial inventory.**

Rental equipment including but not limited to video tapes, stereos, televisions, tools, appliances and furniture is not considered commercial inventory. These assets must be reported in Part B line item ①.

Leased property and off rent equipment are not considered commercial inventory and should be reported on a separate schedule showing the names and addresses of lessees, lease numbers, description of property, installation date and original cost by year of acquisition for each location. Schedule should group leases by county where the property is located.

LINE ITEM ③

Supplies. Supplies are consumable items not held for sale (e.g., contractor's supplies, office supplies, etc.). Report the average cost.

LINE ITEM ④

Manufacturing/R&D Inventory is raw materials, supplies, goods in process and finished products used in and resulting from manufacturing/R&D by the business. Include manufactured products sold at retail by the manufacturer under line item ②, commercial inventory. An average of twelve (12) monthly inventories should be reported including two (2) physical inventories. Book inventories may be used for months when physical inventories were not taken. Values are to be reported at cost or market value. The LIFO method is prohibited in computing values. If there are multiple locations of inventory in Maryland they must be reported by each location.

LINE ITEM ⑤

Tools, machinery and equipment used for manufacturing or research and development. Answer this question in detail even though such property may by law or resolution be exempt. Reporting property on this line item is not a substitute for a manufacturing application. If exemption is claimed for the first time, a manufacturing/research & development exemption application must be submitted **on or before September 1 or within 6 months after the date of the first assessment notice for the taxable year that includes the manufacturing personal property before the exemption can be granted.** Contact the Department or visit our website at www.dat.maryland.gov to obtain an application. This property shall be reported at original cost in the year of acquisition without deduction of depreciation, investment credit or trade-in of previously owned property. Include all fully depreciated personal property and property expensed under IRS rules.

For manufacturing the primary test for exemption requires substantially transforming, or a substantial step in the process of

substantially transforming tangible personal property into a new and different article by use of labor or machinery. The term manufacturing does not include products mainly intellectual, artistic or clerical in nature, services, public utility services, or property used primarily in administration, management, sales, storage, shipping, receiving or any other non-manufacturing activity.

Research and development means basic and applied research in the sciences and engineering, and the design, development and governmentally required pre-market testing of prototypes, products, and processes. Research and development activities are exempt whether or not the company has a product for sale.

The following activities do not constitute research and development: market research; research in social sciences, psychology, or other nontechnical activities; routine product testing; service activities; sales; or research and development of a public utility.

SIGNATURE AND DATE

The return must be signed by an owner or partner. This signature must be an original not a copy. The date should reflect the date the return was signed by the owner or partner and sent to the Department. Please include requested phone number and e-mail address to assist us in resolving potential discrepancies.

DEPRECIATION RATE CHART FOR 2016 RETURNS

STANDARD DEPRECIATION RATE

Category A: 10% per annum*

All property not specifically listed below.

SPECIAL DEPRECIATION RATES (The rates below apply only to the items specifically listed. Use Category A for other assets.)

Category B: 20% per annum*

Mainframe computers originally costing \$500,000 or more.

Category C: 20% per annum*

Autos (unlicensed), bowling alley equipment, brain scanners, carwash equipment, contractor's heavy equipment (tractors, bulldozers), fax machines, hotel, motel, hospital and nursing home furniture and fixtures (room and lobby), MRI equipment, mobile telephones, model home furnishings, music boxes, outdoor Christmas decorations, outdoor theatre equipment, photocopy equipment, radio and T.V. transmitting equipment, rental pagers, rental soda fountain equipment, self-service laundry equipment, stevedore equipment, theatre seats, trucks (unlicensed), vending machines, x-ray equipment.

Category D: 30% per annum**

Data processing equipment, canned software.

Category E: 33% per annum*

Blinds, carpets, drapes, shades. The following applies to equipment rental companies only: rental stereo and radio equipment, rental televisions, rental video cassette recorders and rental DVDs and videotapes.

Category F: 50% per annum*

Pinball machines, rental tuxedos, rental uniforms, video games.

Category G: 5% per annum*

Boats, ships, vessels, (over 100 feet).

Long-lived assets

Property determined by the Department to have an expected life in excess of 10 years at the time of acquisition shall be depreciated at an annual rate as determined by the Department.

* Subject to a minimum assessment of 25% of the original cost.

** Subject to a minimum assessment of 10% of the original cost